

**Coronavirus Relief Funds
Frequently Asked Questions**
(Updated 8/20/20)

1. Are the eligible uses of funding limited to what is listed in Section 11.90?

The authorized uses are ultimately governed by the Coronavirus Relief Fund federal guidance and FAQs, and Section 11.90 is consistent with those uses. Although the 11.90 language specifically mentions homelessness, public health, and public safety, if the expenditure is not related to those categories but it is necessary to respond to and combat COVID-19, it would more than likely fall into the "other services" category of the Section 11.90 language.

2. Funds need to be used on costs incurred between March 1, 2020 and December 30, 2020. The certification form states counties/cities must return any funds that are unspent by October 30, 2020. Is the deadline October 30 or December 30?

The September (due September 4, 2020) reporting is a check-in to see if cities/counties are on track to spend their total allocation by 12/30/20. The general idea is that most or all cities/counties will use the CRF monies to reimburse themselves for qualifying expenditures made between March 2020 and now, as is allowed by federal law. Therefore, most or all of the total allocation is expected to be expended by 10/30/20. However, if the September reporting indicates that some cities/counties either (1) need more time to spend the money because they do not have sufficient incurred costs to cover, or (2) believe they will not be able to expend their entire allotment by the 12/30/20 federal deadline, then the Department of Finance can either (a) extend the expenditure deadline beyond 10/30/20 on a case-by-case basis, or (b) redirect funds that a city/county does not expect to expend by 12/30/20 to other localities that may have a shortfall. Funds will only be redirected if it is abundantly clear that the total allocation will not be expended by 12/30/20.

3. Do the funds have to be expended by December 30? Can they be encumbered?

Fund payments can be used to cover COVID-19 related costs incurred between March 1, 2020 and December 30, 2020. Per the federal guidance updated on 6/30, for a cost to be considered to have been incurred, performance or delivery must occur during the covered period of March 1, 2020 and December 30, 2020 but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred). Keep in mind, although payment doesn't have to occur before December 30, in all cases it must be necessary that performance or delivery take place during March 1 2020 and December 30, 2020. The cost of a good or service received during the period will not be considered eligible if there is no need for receipt until after December 30.

4. What are the reporting requirements? What type of documentation is needed for the reports?

The state deadline for reporting has been changed to September 4, 2020. A web form for reporting is under development, and it will require sub-recipients to have a Microsoft or Google Account using your business e-mail to support the sign-on process. If you do not have such an account, one will be required for state reporting. All recipients of these funds will be required to register at SAM.gov (if not already registered). If an entity does not obtain a DUNS number, additional data will need to be collected in the web forms to provide similar data to information in SAM.gov. Finance will offer additional training, similar to the CARES 101, to provide an overview of how to log-in and access the web forms under development. We will cover any changes or clarification to the federal guidance at that time. If there are any significant updates from the Treasury OIG prior to these sessions, Finance will work with CSAC and the League to disseminate the information as soon as possible. A sample of the web form is also included on the Department's CRF allocations page. Please note, this is just a sample form and only intended to provide an example of the data that will be required. The webpage provides FAQs related to DUNS Numbers: <https://fedgov.dnb.com/webform/displayFAQPage.do>

5. What type of user should I register as for SAM.gov (system or individual)?

When creating an account as a city or county, it should be done as a system account. If another city/county employee (e.g., County Auditor-Controller or City Manager) wanted to be able to edit information in SAM.gov (such as revising an address), that employee would need to create an individual account.

The user guide can be found here:

https://www.sam.gov/SAM/SAM_Guide/SAM_User_Guide.htm#_Toc330769030

6. When are federal reports due?

The following table reflects federal reporting deadlines identified in July 31, 2020 guidance from the Treasury OIG. The first quarterly report will be combined with the state deadline identified above. The state deadline will be no later than the 5th of the month to provide time to meet the federal deadline (ten days after the end of each quarter).

Reporting Cycle	Reporting Period	Reporting Due Date	OIG Review Period	Data Extract to PRAC
Cycle 1	3/1-6/30/2020	9/21/2020	9/22-29/2020	9/30/2020
Cycle 2	7/1-9/30/2020	10/13/2020	10/14-20/2020	10/21/2020
Cycle 3	10/1-12/31/2020	1/11/2021	1/12-20/2021	1/21/2021
Cycle 4	1/1-3/31/2021	4/12/2021	4/13-20/2021	4/21/2021
Cycle 5	4/1-6/30/2021	7/12/2021	7/13-20/2021	7/21/2021
Cycle 6	7/1-9/30/2021	10/12/2021	10/13-20/2021	10/21/2021

7. When will funds be disbursed? What is the disbursement schedule?

The initial payment (1/6 of funding available) was made on July 31, 2020 and the August payment is in process. Finance will submit the September payment schedule to State Controller's Office (SCO) on the 10th of each month and payments will be processed within 10-14 days. Following the review of September expenditure information from local governments and consultation with the California Department of Public Health and CalOES, a final payment schedule will be submitted to the SCO for the remaining funds.

8. Can funding be used to provide financial assistance such as rental assistance and payment for utility fees?

Yes, the funding can be used for rental assistance and payment of utility fees as long as it is necessary due to COVID-19. To deem the payments as necessary, we recommend getting some sort of documentation of inability to pay, such as an unemployment letter or indication of job loss that shows the individuals are unable to make the payments, thus making the subsidy necessary. The city has to be able to document how it determined the payments were necessary for each individual receiving assistance

9. Can funding be used to provide small business grants?

As stated in the federal guidance, eligible expenses include expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. As long as the grants go to small businesses that were affected by COVID-19, these types of expenses are allowable.

10. Can funding be used to meet the federal cost sharing requirements? Will this funding affect FEMA eligibility?

Per the federal FAQs, this funding may be used for the cost-share of FEMA Public Assistance (PA) Program, but the cost must be an eligible use of funds under both the Coronavirus Relief Fund and the Stafford Act. Please be sure to review both the Coronavirus Relief Fund eligible uses and the Stafford Act allowable uses before deeming any costs as part of the cost sharing requirement. FEMA eligibility will continue to be based upon the Stafford Act and we encourage entities to coordinate with CalOES. FEMA will not deny an eligible claim for PA if there is another overlapping federal fund source, unless the federal agency has more expertise and the fund source is more flexible. Specifically, FEMA has determined that the Department of Health and Human Services and Treasury are the most appropriate agencies for states and local governments seeking funding for contact tracing. See the following link regarding the relevant guidance.

https://www.fema.gov/media-library-data/1593609857750-0a9c88370c27f1391b4c907818c1b3a2/FEMA-COVID-19_coordinating-public-assistance-and-other-sources-of-federal-funding_07-01-2020.pdf.

11. Can funding be used to pay for the base salaries and benefits for public safety employees?

Because of the presumption that public safety is substantially dedicated to mitigating and responding to COVID-19, the base payroll costs for public safety are allowable, even if they were budgeted.

12. Can funding be used to increase teleworking, telehealth, and distance learning opportunities?

The jurisdiction must be able to prove the broadband expenditures are necessary for the public health emergency. If the scale and scope of a project is needed to support distance learning, telemedicine, and telework for COVID-19, and it can be completed by December 30, 2020, it is generally allowable. If it is unlikely to be completed until after that point, it would be very difficult to meet the test of "necessary". The jurisdiction would need to document how a broadband project comports with federal requirements and the necessity due to COVID-19.

13. Is competitive bidding required?

There is nothing specific from the guidance, but we have been advised that competitive bidding is not required. The sections of the Code of Federal Regulations (CFR) that are applicable to federal bidding are excluded from the guidance and only a few portions of the CFR are applicable to use of the CRF.

14. Can this funding be used to replace lost revenues?

Fund payments may not be used for government revenue replacement.

15. What is meant by non-duplication of efforts?

The idea on this is to ensure funding isn't going towards efforts that are already fully subsidized. Recipients are responsible for ensuring that they do not receive payment twice for the same item of expense. This is also intended to encourage working with neighboring jurisdictions to leverage resources.

16. For economic support for small businesses affected by COVID-19, does the support have to be in the form of grants? Can the local government purchase items such as tents to allow for outdoor dining and then disburse them to businesses?

The federal guidance does not stipulate that economic support for businesses is only limited to grants. The economic support expenditures, including any items

purchased on behalf of businesses, must be deemed as necessary expenditures incurred due to the public health emergency. Please be sure to retain the receipts for at least 5 years.

17. If small business grants are provided, does the local entity only need to document that the grant was necessary? Does the entity have to require receipts or documentation on how each business used the grants? Does the business have to use the funds by December 30, 2020?

While local governments have discretion to determine what payments are necessary, the city or county must be able to document the grants how that determination was made. The grants must be awarded by December 30, 2020. To document necessity, the businesses could provide information to show they were closed as a result of public health orders or statements that demonstrate revenue losses due to COVID-19. The city or county does not need to ask for receipts, but it is advised that the business grant application identify how the funds will be spent. The grant application should also require businesses to retain receipts and other documentation of how funds were spent for at least 5 years. The recipients of the grant funds must incur costs by December 30, 2020.

18. If a local government issues emergency small business loans to local businesses directly impacted by COVID-19 out of unbudgeted funds, would it be possible to convert these loans to grants or forgivable loans in order to use the CRF funding to reimburse the local fund that was used to fund the loans initially?

Since eligible expenditures include expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption, the conversion of the loans to grants is allowable as long as you can document that the grants are necessary expenditures incurred due to COVID-19, were unbudgeted as of March 27, 2020, and costs are incurred by December 30, 2020. All of the previously issued loans may not meet that criteria, so be sure to review that before converting the loans to grants such that it includes an assessment if the expenses are necessary. You could also forgive the loans and use the CRF funding to reimburse the local fund for the cost of the loans. The same conditions of funding still apply to this route.

19. If a jurisdiction doesn't have their own public safety department and contracts with neighboring public safety departments, are those contracts costs eligible under the public safety presumption?

Yes, the contract costs for public safety are an eligible use. Only the amount of the contract that is actually utilized or expended by December 30, 2020 is a covered cost.

20. Does a government have to document that public safety and public health employees responded to COVID-19 cases? What public safety and public health positions qualify for the "substantially dedicated" presumption?

The guidance and FAQs do not currently provide a definition of "public safety" or "public health". Given that this is a gray area based on current guidance, we generally rely on federal and state definitions of public safety which can include police, fire, or emergency/health department employee that is charged with directly responding to emergency situations would qualify for the presumption. For public safety, this includes sworn police positions and firefighters. For public health, it includes staff in the public health department. Generally, CDC identifies public health staff as those "that are involved in epidemiology, public health informatics and surveillance, health economics, public health laboratory science". Public health staff may include ambulance staff/EMTs. It likely excludes dispatchers and other support staff who wouldn't be "in the field" mitigating or responding to an emergency. Under the presumption, it is not necessary to show public health and public safety responded to COVID-19 cases. The city/county would just need to show payroll records. For any employee that does not clearly fall within the presumption, the city or county would have to document how the employee is substantially dedicated to COVID-19.

21. If an employee that is substantially dedicated elects to receive compensated time off or administrative leave credits instead of overtime pay, is the usage of the time an eligible expenditure?

Costs must be incurred between March 1, 2020 and December 30, 2020. The June 30th federal guidance clarified that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period. Based on this, the leave would have to be accrued and used before December 30. It is ultimately up to the local government to determine what type of compensation to offer; however, a combination of regular pay and overtime pay likely provides the best audit trail. We would note that the activity appears broadly eligible under the definition of "substantially dedicated" so it is unclear if staff use this type of leave in lieu of working that the costs for their position would not already be covered even when on leave status.

22. Does the Fund cover salaries and benefits for employees on Emergency Family Medical Leave? If an employee on emergency federal leave uses their own leave credits to receive their full pay, is this an eligible expense?

The Families First Coronavirus Response Act (FFCRA) allows employers to deduct the cost of wages, expenses for a qualified health plan to maintain employee health benefits, and the employer's share of Medicare tax (outlined in section sections 7001 and 7003 of FFCRA). On that basis, local government eligible expenses could include wages, health benefits, and employer share of Medicare consistent with the limitations in the FFCRA. On the surface, it does not appear that other employee fringe benefits like retirement could be paid with CRF. It is unclear if pay differentials such as "longevity, bilingual pay" is allowable.

The payroll cost of an employee using their own sick and vacation leave to receive full pay while on emergency federal leave is not an eligible expenditure. Only the paid sick time granted under the FFCRA is eligible.

23. What is the threshold for "necessary expenditures"?

There is no definition of what is necessary. Local governments have discretion to identify costs that are necessary and develop and retain reasonable documentation. Many of these expenses will be obvious, particularly if they listed in one of the six categories of expenditures in the federal guidance.

24. What qualifies as a "small business"?

We are generally relying on federal definitions and guidelines when we come across terms that are unclear in the CRF guidance and FAQs. The link below contains federal information on how to determine if a business qualifies as small, and it includes a link to the Code of Federal Regulations that defines a "small business"

<https://www.sba.gov/partners/contracting-officials/small-business-procurement/small-business-size-standards>

25. The guidelines allow grants to small businesses to mitigate losses due to COVID-19. The FAQs indicate that these grants may be administered by a non-profit organization. Would the administrative charge of the non-profit be an eligible expense? Is there a cap on the charge?

The CRF FAQs indicate if a local government determines that "administrative costs" of a non-profit are "necessary", they appear to be an eligible cost. Many federal grants/programs (CRF is not considered a grant) cap administrative expenses at 5 percent of the award.

26. Are non-profits eligible for economic support/business grants?

The guidance lists providing grants to small businesses as an example of providing economic support, but we don't interpret that to necessarily mean non-profits are excluded. The city has to be able to document the necessity of providing the assistance to a non-profit as a result of COVID-19. To document necessity, the non-profit could provide documentation that shows a reduction in donations due to COVID-19 and its associated closures.

Related to non-profits, the federal FAQs indicate that small business/economic support grants may be administered by a non-profit organization, and if a local government determines that "administrative costs" of a non-profit are "necessary", they appear to be an eligible cost. Many federal grants/programs (CRF is not considered a grant) cap administrative expenses at 5 percent of the award.

27. Is unemployment insurance an eligible expense?

According to the federal FAQs, Fund payments may be used for unemployment insurance costs incurred by the recipient as an employer related to the COVID-19 public health emergency, if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise. So the real answer is partially and it depends. If your local agency has elected the **reimbursable method** of financing UI, the repayment of costs incurred and billed by EDD may be made with the CRF. If your agency uses the **experience rating** of financing UI, then these costs could not be paid by CRF as they would be paid based on payroll taxes paid into the UI Fund. In addition if the federal government pays 50% of the costs under provisions of the CARES Act (noted below) then only one-half of these costs can be paid by the CRF.

The federal government will only reimburse the cost once. In theory, under these provisions, unemployment costs could be paid 50% with CARES Act pursuant to Section 2103 of the Act. The other 50% could be paid with CRF. We would note that it may make sense to consult with EDD. We understand that the state has applied to participate in this program and funding is technically available. However, we understand that EDD is still establishing the actual process to reimburse entities, the associated IT changes required, and the stipulations by the feds on when employers can actually be reimbursed, EDD hasn't yet issued any reimbursement back to governmental entities as allowed under this Section. Given the timing and outstanding questions, this is unlikely to be the best use of CRF dollars and requires additional documentation.

Link to Federal DOL UI

Guidance: https://wdr.doleta.gov/directives/attach/UIPL/UIPL_18-20.pdf

28. Would a food bank for the residents of the City be an allowable expense for the CARES funding?

Short Answer: Yes

While the guidance does not make any specific references to establishing a "food bank" it has several comparable references relative to providing assistance that appear to indicate that would be an allowable expense. The primary one I would rely upon is the idea of "second-order effects" of the emergency and the provision of economic support to those suffering from unemployment. If someone is unable to work, they are also limited in their ability to provide food for their families. In addition, there has been direct federal assistance through the CARES Act to support local food banks, including use of national guard staff to help with food distribution and various donations of federal commodities. These are both examples where

assistance with a basic need – provision of food are recognized as “necessary to respond /mitigate the effects of COVID-19. Finally, in recent guidance from the Federal Treasury OIG related to reporting “Food Programs” is a designated expenditure category.

29. Would we have to pro-rate the cost of the licenses for MS Teams and SharePoint used to support enhance telework capabilities? If not, do you have an idea of what documentation might be required?

While the guidance is not specific about these types of licenses, if the local entity can demonstrate the ordinary practice is to buy long-term licenses periodically to cover multiple years, it may be allowable as outlined in the excerpt below (using a “lease” as an example). Further, equipment and software to support the ability to enhance telework capabilities and mitigate the spread of COVID-19 are broadly eligible. It is not unreasonable to expect that these costs could be paid in full with CRF. If your county has other eligible expenses for CRF funds, it may be prudent to prorate the cost but that seems like a very conservative approach.

May counties pre-pay with CARES Act funds for expenses such as a one or two-year facility lease, such as to house staff hired in response to COVID-19?

A government should not make prepayments on contracts using payments from the Fund to the extent that doing so would not be consistent with its ordinary course policies and procedures.

30. Can the Coronavirus Relief Funds be used to pay for indirect costs?

The guidance does not speak to allow ability of indirect costs. However, the US Treasury has been asked this question repeatedly and has not addressed the allow ability. Finance continues to assume that most “indirect” costs would already have been included in the most recently enacted budget and as a result would not be an eligible use of the funds.

If general management costs of staff who provide agency-wide support (typically funded through indirect costs) are now “substantially dedicated” to responding to COVID-19, it may be reasonable to fund with CRF but there will need to be adequate demonstration and documentation that those staff are diverted to a substantially different use. Recipients also would have to demonstrate how “administrative expenses” represent an increase over the previously budgeted amount. In theory all indirect costs have been accounted for in prior budgets. This has to be documented in some way, it cannot just be applied as a formula. If an administrative expenses represents an increase over previously budgeted amounts and are limited to what is necessary costs may be allowed. For example, an entity may expend Fund payments on necessary administrative expenses incurred with respect to a new grant program established to disburse amounts received from the Fund.